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# **Fiscal Year 2019**

## **Local Small Business Reserve (LSBRP)**

# **ANNUAL REPORT**

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Office of Procurement  
Montgomery County Government

[www.montgomerycountymd.gov/PRO](http://www.montgomerycountymd.gov/PRO)

# Montgomery County's Local Small Business Reserve Program

## Message from County Executive Marc Elrich



A majority of the companies in Montgomery County are considered small businesses. Combined, they are a strong and powerful engine driving the Montgomery County economy. The vitality of our economy and the success of local businesses is one of my top priorities. The Local Small Business Reserve Program (LSBRP) is one measure that helps sustain economic growth. Passage of the LSBRP is the result of cooperation between my office, the County Council and stakeholders in the business community. Under the LSBRP program, Montgomery County Government departments and agencies must commit to allocate 20 percent of their purchases of goods and services from the small business community. In fiscal year 2019, the County spent \$101.6 million with local small businesses, an amount equal to 27.4 percent of total eligible spending for the LSBRP. Please take a few minutes to read this report. If you are a small business owner who is not registered as an LSRBP, visit the [Office of Procurement website](#) to determine your eligibility. If you are eligible, please register your business. We want to work with you. For more information about doing business in, or with, Montgomery County Government, visit the award-winning [Montgomery County Business Portal](#). The [Business Solutions Group](#) manages the Portal and is dedicated to ensuring that companies have the information they need about the laws, regulations, permits and licenses that apply to businesses here in Montgomery County.

## Message from Director Ash Shetty



The Local Small Business Reserve Program is a valued vehicle for local small vendors to compete for prime contracts with Montgomery County Government. While the program continues to show growth in the number and value of contracts awarded to local small businesses, I believe we can increase value with innovation and hard work.

In FY19, we implemented several new initiatives to improve internal processes and communications with vendors. For example, we implemented a new Monthly PRO Open House for the business community to have increase accessibility to County staff to ask questions and have a better understanding of doing business with Montgomery County. We also implemented a one-click scope view for businesses to view a solicitation's scope of work easily, without having to download the entire solicitation.

This year's LSBRP Annual Report reflects a consistent level of participation in the program since its inception. I look forward to increasing our efforts and strengthening linkages between the business community and county departments to support growth in County contract activity with local small businesses. If you have comments or questions about the report, the LSBRP program or any of the Office of Procurement's upcoming outreach activities, please contact us at [dbrc@montgomerycountymd.gov](mailto:dbrc@montgomerycountymd.gov).

## Executive Summary

In FY19, the Local Small Business Reserve Program continued to show growth. The County spent \$101.6 million with local small businesses. This amount comprises 27.4% of total eligible spending for LSBRP.

The Program hosted several open house events targeted at specific industry sectors to give local small and minority businesses an opportunity for face-to-face interaction with key staff from County departments and with prime contractors.

Montgomery County is home to an active and responsive local small business community. Nearly 95% of Montgomery County's companies are considered small businesses. Local small businesses employ local residents and provide valuable employment opportunities. Through the LSBRP, local businesses provide goods and services to local government and local tax dollars are reinvested in the community. In addition to assuring the reinvestment in the local economy, businesses who have contracts under the LSBRP program are required to pay a living wage, further contributing to quality of life and economic stability within the county. The LSBRP's investment in the local economy is not only a vital resource that directly benefits the economic viability of those businesses that have contracts through the program, but it also indirectly benefits other local businesses. The tax dollars used to support LSBRP are an important driver in the local economy and help fuel capital, stability, and employment in the county.

In FY19, we continued our focus on fully certifying LSBRP vendors, increasing the number of fully certified LSBRP vendors from 702 to 750. Newly certified vendors are increasingly displaying the LSBRP certified logo on their websites and marketing materials.



## Support and Advocacy

The Division of Business Relations and Compliance provides individualized information and assistance to individuals and companies seeking opportunities to do business with Montgomery County government. Interested companies are welcome to schedule one-on-one appointments with DBRC staff to learn about the County's contracting needs, compliance programs, and Procurement processes. DBRC also offers training on how to use online tools to find valuable contracting information and provides referrals to appropriate departmental contract administrators. DBRC sends out weekly newsletters to advertise upcoming LSBRP opportunities as well as newly posted LSBRP solicitations.

Additionally, DBRC functions as an internal advocate and liaison, connecting the local business community with county departments to facilitate information exchange and contracting resource development. The County Executive proposed Bill 25-19 to promote a preference program for Local Businesses.

## Background

The accomplishments outlined in this report result from several initiatives to stimulate economic growth through local contracting. In FY09, a partial governmental reorganization was implemented creating the Department of General Services and the Office of Business Relations and Compliance. The County Executive and County Council enacted new legislation and Executive Regulations to expand the County's ability to increase contracting with local businesses:

1. Local Small Business Reserve Bill #3-09 (April 30, 2009) -- Established the DGS Director as the evaluator of a business's capacity to contractually perform
2. County Executive Regulation #2-09 (April 28, 2009) -- Doubled the earnings and employee thresholds for small businesses
3. Contracts & Procurement Amendments Bill #45-09 (April 1, 2010) -- Made it easier for small businesses to compete for contracts
4. County Executive Regulation #19-09AM (March 23, 2010) -- Revised Procurement Regulations
5. Expedited Bill #7-15 (March 26, 2015) --- Established the Office of Procurement as a Principal Office of the Executive Branch.
6. Expedited Bill #23-15 (January 1, 2016) – Amended LSBRP eligibility criteria for small businesses in the service sector.
7. County Executive Regulation #6-15 (March 23, 2016) -- Revised Procurement Regulations

## Eligibility Requirements

Montgomery County actively seeks local businesses to compete for contracting opportunities with the County Government through the Local Small Business Reserve Program. The County's commitment to maintain a viable and business friendly environment is clearly demonstrated through aggressive engagement and recruiting of eligible businesses and legislation that requires a minimum of 20 percent of eligible purchases of goods, services and construction by the government to be made with local small businesses. Businesses may apply to the LSBRP by using our online vendor database at [www.mcipcc.net](http://www.mcipcc.net). Businesses may participate in the program if they are independently owned, have an economic operational base in Montgomery County, and meet the following sales or employee thresholds:

<i><b>Business Type</b></i>	<i><b>Employee Limit</b></i>		<i><b>Prior Three Year's Avg. Sales</b></i>
Retail	30	<b>OR</b>	\$5 million
Wholesale	30		\$5 million
Service	100		\$10 million
Construction	50		\$14 million
Manufacturing	40		\$14 million

## Continued Innovative Practices

Among local municipalities, Montgomery County's Local Small Business Reserve Program continues to be a model of legislation, operation and outreach. Innovative practices used to implement the LSBRP law include:

- Implemented a one-click solicitation scope view for businesses to make it easier to participate in the process.
- Initiated a series of monthly Open House events for the business community to increase accessibility to County staff.
- Developed a Procurement Compliance Matrix to provide a user-friendly view for stakeholders to determine compliance applicability in the procurement process
- Implemented Procurement "rate my service" survey on staff's e-signatures to emphasize customer service.
- Distributed weekly e-newsletters to local small businesses to advertise active solicitations, upcoming contracting opportunities and networking events.
- Increased participation in industry association meetings and chamber matchmaking and networking sessions to promote the LSBRP program.
- Improved intranet functionality to reduce paperwork for Contract Administrators and Procurement Specialists.
- Improved online forms and reporting tools for county departments.
- Provided ongoing training for department Contract Administrators on Procurement Compliance Programs including LSBRP, MFD and wage compliance programs.
- Hosted foreign delegations to exchange policy and process on government procurements
- Partnered with Business Connect and Business Solutions Group to provide more direct services to vendors.

The Office of Procurement was established as a principal Office of the Executive Branch in 2015, and the Office of Procurement became a cabinet-level entity within the Executive Branch of Montgomery County government. In addition to fulfilling the procurement function, the new organizational structure provided renewed focus on the Division of Business Relations and Compliance (DBRC)— the division which ensures vendor compliance with wage laws and contracting programs designed to increase participation of MFD and local small businesses within county contracting programs.

## Awards

The Office of Procurement received Achievement of Excellence in Procurement award from the National Procurement Institute for the 7<sup>th</sup> consecutive year.

## Marketing and Outreach

DBRC hosts and attends many networking events. These events help provide direct access to and interface with local small and/or minority businesses. Through panel discussions, seminars and match-making sessions, vendors have an opportunity to gain detailed and individualized information regarding procurement processes and requirements, learn about specific procurement opportunities and obtain business development information.

**Targeted Outreach Events:** Events hosted by the Office of Procurement are designed to assist MFD and LSBRP vendors in obtaining County contracting opportunities. In FY19, the Office hosted 8 outreach events:

October 5, 2018: Procurement Forum  
January 22, 2019: Quarterly Compliance Meeting  
February 27, 2019: MFD Certification Event  
March 6, 2019: Prevailing Wage Law Workshop  
April 30, 2019: IT Business Open House  
May 16, 2019: Chamber/business organization meeting with County Executive  
May 29, 2019: Quarterly Compliance Meeting  
May 30, 2019: MFD Certification Event

**Networking Events:** Events hosted by external entities, help provide access to local and minority vendors. Through panel discussions, seminars and match making sessions, vendors have an opportunity to gain detailed and individualized information regarding procurement processes and requirements, learn about procurement opportunities and obtain business development information. In FY19, the Office of Procurement, DBRC and the Division of Procurement Operations participated as panelists, matchmaking hosts or key speakers in the following events:

July 31, 2018: ProBiz Conference  
July 28, 2018: Liberian Business Forum, "Moving Liberia Forward"  
August 9, 2018: Power Conference  
September 11, 2018: Quarterly Compliance Meeting  
September 20, 2018: Richmond Fed Supplier Diversity Outreach Event  
October 10, 2018: MEGA Maryland 2018 Small and Minority Business Conference for AEC  
October 11, 2018: Emerging Leaders Program  
October 12, 2018: African Diaspora Entrepreneurship Summit  
October 16, 2018: Asian American Business Summit and Expo  
October 17, 2018: MWBC's 2018 Awards Luncheon  
October 17, 2018: Meet the Primes 2018  
October 17, 2018: Project Management Symposium  
October 18, 2018: African Diaspora Entrepreneurship Summit  
November 29, 2018: Small Business Procurement Conference  
December 4, 2018: Annual Breakthrough Breakfast, Procurement Fair and Done Deal Awards  
December 6, 2018: Jingle, Mingle and Meet Event  
December 7, 2018: 18th Annual Minority Legislative Breakfast

## Montgomery County's Local Small Business Reserve Program

December 11, 2018: ChallengHER GSA  
 March 21, 2019: GovLEADerSeries Small Business Summit  
 April 9, 2019: Maryland MBE Certification Workshop  
 April 18, 2019: 29th Annual Government Procurement Conference  
 April 23, 2019: Navigating the Government Market: Procurement Series  
 May 1, 2019: MCPS Reverse Trade Fair  
 May 6, 2019: 4Business: Benchmarking to Be the Best for Business  
 May 8, 2019: Upcounty Business Connect Center Opening  
 May 8, 2019: Vendor Outreach Session  
 May 9, 2019: Super Matchmaker Conference  
 May 13, 2019: 4Business: Benchmarking to Be the Best for Business  
 May 17, 2019: MCCC Pathway to Growth Procurement Conference  
 May 22, 2019: Bethesda Chamber Economic Development Meeting  
 May 22, 2019: 4Business: Benchmarking to Be the Best for Business  
 June 6, 2019: Montgomery County One-Stop Employment Law Update & Information Workshop  
 June 13, 2019: American Express Summit for Success  
 June 13, 2019: MTA Transit Business Expo  
 June 19, 2019: Meet the Primes Event  
 June 20, 2019: Montgomery County Small Business Association 1st Anniversary Event

### FY17 – FY19 Comparative Program Measures

**Table 3: 3-year comparison on Eligible LSBRP Awards**

Procurement Awards, FY17-FY19						
	FY17		FY18		FY19	
	\$	%	\$	%	\$	%
<b>Total Procurement Dollars</b>	\$1,108,770,000		\$1,081,160,000		\$1,151,670,000	
<b>Exempted but awarded to LSBRP</b>	\$68,093,235		\$68,150,086		\$59,399,726	
<b>Eligible for LSBRP Procurement</b>	\$99,033,346		\$176,064,497		\$153,830,615	
<b>Encumbered to Eligible LSBRP</b>	\$25,314,936	25.5%	\$47,211,951	26.8%	\$42,204,308	27.4%
<b>Total encumbered to LSBRP</b>	<b>\$93,408,171</b>		<b>\$115,362,037</b>		<b>\$101,604,034</b>	

The “eligible” spending against which annual performance is measured is based on the portion of solicitations reserved towards LSBRP vendors out of all eligible solicitations, the balance of which are considered open to all businesses.

## Montgomery County's Local Small Business Reserve Program

### Contracts Awarded to LSBRP in FY19 (Based on Contract Execution Date)

**Table 4: Major contracts (over \$100,000) awarded in FY19 to LSBRP (sorted by dollar amount)**

DEPT	Vendor	MFD?	Description	Amount <sup>1</sup>
DOT	Mercado Consultants Inc	Y	Engineering Services for Transportation Facilities	\$5,000,000.00
DOT	Sheladia Associates Inc	Y	Engineering Services for Transportation Facilities	\$5,000,000.00
DOT	Vitavanti LLC		Parking Garage Sweeping and Miscellaneous Cleaning Services	\$3,277,575.00
DOT	Network Engineering & Resources Development Specialists LLC		Web Services, Administration and Networking Services	\$2,500,000.00
DGS	Benjamin Office Supply & Services Inc.		Office Supplies	\$1,700,000.00
CCT	Deposition Services Inc		Transcription Services for the Circuit Court for Montgomery County, MD	\$1,350,000.00
DEP	D&A Dunlevy Landscapers Inc		Tree Canopy Planting	\$1,200,000.00
DOT	EARN Contractors, Inc	Y	Garage #49 Slab Repairs	\$1,113,470.00
DEP	Empire Landscape LLC	Y	Invasive Species Vegetation Management	\$792,000.00
DOT	MCV Associates, Inc.	Y	Manual and Video Turning Counts, Spot Speed Distribution Studies and Random Mechanical Counts	\$500,000.00
DGS	Kiara's Landscaping Inc		fencing	\$500,000.00
CCL	Tedi S Osias		Legislative Liaison Research & Policy Analyst	\$320,000.00
FRS	Personalized Classics, Inc.		Uniform Apparel Imprinting and Embroidery Services	\$315,000.00
DGS	Integrity National Corp		Custodial Services (Zones 4& 5) (LSBRP)	\$303,187.05
DOT	Vitavanti LLC		Parking Garage Sweeping and Miscellaneous Cleaning Services	\$220,646.40
ABS (DLC)	ABCD & Company, LLC	Y	DLC Retail – Marketing and Concept Design Services (Stores Rebranding)	\$220,000.00
REC	Environmental Facilities Service, Inc	Y	Custodial Services for Indoor Swimming Pools	\$203,000.00
REC	Personalized Classics, Inc.		Screen Printed Athletic Apparel	\$200,000.00
CEC	Maier & Warner Public Relations, LLC		Pike District Placemaking, Branding and Marketing Services	\$130,000.00
FRS	Training Outreach LLC	Y	Senior Citizens Fire Safety Education and Outreach Services	\$125,000.00
CEX	Clear Impact LLC		Results-Based Accountability Training and Consulting Services	\$99,000.00

<sup>1</sup> Amount: Total contract estimated amount, may include multiple years

## A Closer Look at Exempted LSBRP Awards

Highlighted in Table 5 are categories significantly impacting the overall availability of annual contracting dollars to local small businesses, or any other businesses: (1) Pre-existing Contracts and (2) Procurements exceeding \$10 million.

1. **Pre-existing Contracts** (highlighted in **YELLOW** in Table 5) - Many County contracts are for terms that exceed a single 12-month period, often extending for three to five years. Therefore, a contract is counted only once in the year of the award and is not counted in the following years. In FY19 this “pre-existing contract” category equals \$450 million, accounting for 48% of contract expenditures.
2. **Procurements exceeding \$10 million** (highlighted in **GRAY** in Table 5) – Legislation creating the LSBRP initiative requires that all contracts valued under \$10 million will be reserved for competition among local small businesses unless specific exemption criteria apply. The majority of these contracts are construction projects such as constructions of libraries, community centers, recreation centers, etc. In FY19, the County awarded \$276 million in contracts valued over \$10 million, accounting for 29% of all contracting dollars awarded in FY19.

These two categories combined for \$726 million, or 77% of all LSBRP exemptions in FY19. This spending distribution is further illustrated in the following tables.

In addition to Pre-existing Contracts and Procurements Exceeding \$10 million, approximately \$184 million in exemptions (highlighted in **GREEN** in Table 4) were for contracts for which no competition was possible since the contracts were with: (a) other public entities, (b) specific companies because of grant requirements, or (c) were non-competitive awards such as contracts with an Original Equipment Manufacturers, sole licensed service providers, or other non-competitive basis approved by the County’s Contract Review Committee.

**Table 5: 3-year comparison on LSBRP Exemptions (in million \$)**

Exemption Categories	FY17		FY18		FY19	
	\$	%	\$	%	\$	%
<b>Chief Administrative Officer Waiver</b>	\$0	0%	\$0	0	\$0	0
<b>Conflicts with law or grant</b>	\$9.60	1.02%	\$2.28	0.27%	\$44.72	4.77%
<b>Public or Emergency Procurement</b>	\$2.52	0.27%	\$3.66	0.44%	\$102.58	10.93%
<b>Non-competitive contract</b>	\$21.28	2.26%	\$17.40	2.08%	\$38.90	4.15%
<b>Pre-existing Contract</b>	\$669.06	71.05%	\$724.12	86.52%	\$450.77	48.04%
<b>Procurement Exceeds \$10 million</b>	\$228.60	24.28%	\$77.87	9.30%	\$276.11	29.42%
<b>No LSBRP vendor deemed qualified</b>	\$10.58	1.12%	\$11.61	1.39%	\$25.33	2.70%
<b>Total Procurement exempted from LSBRP</b>	<b>\$941.64</b>	<b>100%</b>	<b>\$836.94</b>	<b>100%</b>	<b>938.41</b>	<b>100%</b>

## Montgomery County's Local Small Business Reserve Program

### Procurement Awards Summary

As shown in Table 6, a total \$101.6 million was awarded to LSBRP contractors in FY19. Of that, \$59.3 million of the County's FY19 competitive contract opportunities (highlighted in **YELLOW** in Table 6) could be considered available for LSBRP competition. These are opportunities in which it would be reasonably assumed that sufficient competition exists to support a competitive solicitation under the LSBRP as program enrollment increases and resources can be further devoted to identifying companies qualified to meet County requirements.

**Table 6: FY19 Procurement Awards Summary**

Categories		# of PO	\$ Amount Value	Sub Total	Exemption Y/N	Awarded LSBRP
<b>Not Exempted</b>	<b>Nonexempt and Awarded non LSBRP</b>	Non exempt and Awarded non LSBRP	5164	\$111,626,307	\$111,626,307	\$101,604,034
	<b>Non-exempt and Awarded LSBRP</b>	Non-exempt and Awarded LSBRP	695	\$11,677,131	\$42,204,307	
		Advertised LSBRP Solicitation and Awarded LSBRP	85	\$30,527,176		
<b>Exempted from LSBRP</b>	<b>Exempt and Awarded LSBRP</b>	N/A	1286	\$59,399,726	\$59,399,726	\$997,843,888
	<b>Exempt and Awarded non LSBRP</b>	No LSBRP vendor deemed qualified	156	\$25,337,664	\$938,444,162	
		Conflicts with law or grant	57	\$44,721,286		
		Non-competitive contract	305	\$38,903,155		
		Pre-existing Contract	4604	\$450,772,379		
		Procurement Exceeds \$10 million	191	\$276,119,852		
		Public Entity or Emergency Procurement	93	\$102,589,826		
<b>Total</b>			<b>\$1,151,674,502</b>			

## Montgomery County's Local Small Business Reserve Program

### LSBRP Awards by Department

**Table 7: Department spending with LSBRP vendors in FY19**

Department	LSBRP spending	% to Eligible
Board of Investment Trustees	\$728,732	6
Circuit Court	\$65,465	25
Community Engagement Cluster	\$820,743	31
Community Use of Public Facilities	\$340,607	77
Department of Correction and Rehabilitation	\$905,567	45
County Council	\$93,003	24
Department of Homeland Security	\$261,442	30
Department of Environmental Protection	\$2,909,680	31
Department of Finance	\$130,104	3
Department of Fire & Rescue Services	\$2,892,915	61
Department of General Services	\$21,750,660	51
Department of Health & Human Services	\$15,680,893	60
Department of Housing & Community Affairs	\$2,527,655	62
Office of Human Resources	\$339,778	1
Department of Liquor Control	\$772,333	70
Department of Permitting Services	\$381,630	77
Department of Police	\$4,038,298	49
Public Information Office	\$56,160	67
Department of Public Libraries	\$280,451	29
Department of Recreation	\$1,065,452	42
Sheriff Office	\$1,425,725	99
Department of Technology Services	\$7,404,422	76
Department of Transportation	\$32,373,530	79

**Table 8: Number of Departments that met/did not meet the 20% goal (marked in RED in Table 7)**

	FY16	FY17	FY18	FY19
# of Departments that met requirement	15	20	19	20
# of Departments that did not meet requirement	8	3	4	3
<b>Total</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>

### Concluding Insights

Montgomery County is home to an active and responsive local small business community. Nearly 95% of Montgomery County's companies are considered small businesses. Local small businesses employ local residents, provide good jobs with livable wages, and are a significant driver of the local economy. Local small businesses have benefitted from the Local Small Business Reserve Program. The program provides fair competition among local businesses to ensure the best value for the dollar spent on county contracts. The LSBRP is an investment in the local economy which provides ongoing benefits to the small business community.